

Chapter 10
Record Retention
for Consultants

Summary

The auditors rely upon a review of source documentation when conducting their audit of a firm's records.

Simply stated:

No source records = Questioned costs and recommendations that billed and paid costs be recovered from the consultant.

PLEASE NOTE !!!!! PRIME AND SUBCONSULTANTS

It is important for the consultant to realize the following:

The requirement to retain all project and accounting records extends from the prime consultant to the subconsultant to any and all tiers. To further emphasize, prime consultants are responsible for ensuring that their subconsultants retain their original records as required by the agreement! If an audit has findings on a subconsultant due to unavailable records, the prime consultant is responsible for paying the finding.

For subconsultants, it is important to remember that the three-year record retention period is three years from the date of final payment from WSDOT to the Prime Consultant. This can be much longer than three years from the date of final payment to the subconsultant.

Once an audit begins, the requirement to maintain records by the consultant continues until final resolution of the audit occurs. This extends the three-year requirement even further. Otherwise, the usual three-year period governs.

Consultants have the responsibility to maintain these records at their business location. Nowhere does it say that if the consultant has already sent copies of their records to WSDOT, they no longer are required to maintain all original records for the prescribed period of time.

The consultant has the responsibility to provide original documents as requested by the auditor.

Missing original supporting records or a lack of an audit trail is cause for audit findings.

Because of the importance of this area, we make direct reference to the audit criteria, 48 CFR Part 4 Administrative Matters Subpart 4.7 Contractor Records Retention.

4.700 Scope of Subpart

“This subpart provides policies and procedures for retention of records by contractors to meet the records review requirements of the Government. In this subpart, the terms “contracts” and “contractors” include “subcontracts” and “subcontractors. . . .”

4.703 Policy

(a) “. . . contractors shall make available records, which includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form, and other supporting evidence to satisfy contract negotiation, administration, and audit requirements of the contracting agencies”

(c) “Nothing in this section shall be construed to preclude a contractor from duplicating or storing original records in electronic form unless they contain significant information not shown on the record copy. Original records need not be maintained or produced in an audit if the contractor or subcontractor provides photographic or electronic images of the original records and meets the following requirements:

(1) The contractor or subcontractor has established procedures to ensure that the imaging process preserves accurate images of the original records, including signatures and other written or graphic images, and that the imaging process is reliable and secure so as to maintain the integrity of the records. (2) The contractor or subcontractor maintains an effective indexing system to permit timely and convenient access to the imaged records. (3) The contractor or subcontractor retains the original records for a minimum of one year after imaging to permit periodic validation of the imaging systems.”

(d) If the information described in paragraph (a) of this section is maintained on a computer, contractors shall retain the computer data on a reliable medium for the time periods prescribed. Contractors may transfer computer data in machine readable form from one reliable computer medium to another. Contractors’ computer data retention and transfer procedures shall maintain the integrity, reliability, and security of the original computer data. Contractors shall also retain an audit trail describing data transfer. For the record retention time periods prescribed, contractors shall not destroy, discard, delete, or write over such computer data.”